

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SSO-00 ICAE-00 NSCE-00 INRE-00
AID-05 CEA-01 CIAE-00 COME-00 EB-08 EA-10 FRB-03
INR-10 IO-13 NEA-10 NSAE-00 OPIC-03 SP-02 LAB-04
SIL-01 AGRE-00 OMB-01 SS-15 DOE-15 SOE-02 DOEE-00
XMB-02 /118 W

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O R 031040Z APR 78
FM AMEMBASSY ANKARA
TO SECSTATE WASHDC IMMEDIATE 1312
AMEMBASSY PARIS IMMEDIATE
INFO AMCONSUL ADANA POUCH
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMCONSUL ISTANBUL
AMCONSUL IZMIR POUCH
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY VIENNA
DEPT OF TREASURY

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E.O. 11652: GDS
TAGS: EFIN, EAID, OECD, TU
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SUBJ: OECD CONSORTIUM FOR TURKEY

REF: (A) STATE 81378, (B) PRIS 10370 (C) PARIS 10404 (D) PARIS
10769

SUMMARY: TURKS LOOK TO AN EXPANDED OECD CONSORTIUM FOR
RESCHEDULING OF COMMERCIAL ARREARS, BALANCE-OF-PAYMENTS

"CASH CREDITS", AND PROJECT ASSISTANCE. THEY ATTACH FIRST PRIORITY TO RESCHEDULING. US SUGGESTION THAT INFORMAL MEETING OF CONSORTIUM MEMBERS BE DEFERRED BRIEFLY UNTIL FULL INFORMATION IS AVAILABLE FROM IMF, IBRD AND, NOT LESS IMPORTANT, FROM GOT ITSELF ON TURKEY'S ECONOMY AND ECONOMIC NEEDS IS BEING REFERRED TO FINANCE MINISTER. THEY LOOK TO BANKS AND OIL-RICH ARAB GOVERNMENTS FOR BALANCE-OF-PAYMENTS FINANCING, BUT THINK ALL CONSORTIUM MEMBERS COULD PROVIDE SOME PROJECT CREDITS.

1. ECON/COM COUNSELOR MET MARCH 31 WITH AYSEL OYMEN, DIRECTOR GENERAL, FOREIGN FINANCING, TURKISH TREASURY, TO PRESENT USG VIEWS ON INFORMAL MEETING OF REPRESENTATIVES OF OECD CONSORTIUM FOR TURKEY AND FUTURE ROLE OF CONSORTIUM.

2. MRS OYMEN SAID THAT SHE WOULD INFORM FINANCE MINISTER ZIYA MUEZZINOGLU OF US BELIEF THAT INFORMAL MEETING SHOULD BE HELD ONLY AFTER CONSORTIUM MEMBERS HAVE HAD AVAILABLE FOR STUDY LENGTHY IMF ANALYSIS OF TURKISH ECONOMY; IBRD ASSESSMENT DEVELOPED IN CONNECTION WITH PRESIDENT MCNAMARA'S VISIT TO TURKEY APRIL 9-15; AND, NOT LEAST, INFORMATION SUPPLIED BY GOT ITSELF ON ITS ECONOMIC PROGRAM, BALANCE-OF-PAYMENTS EXPECTATIONS, EXTERNAL DEBT BURDEN, ITS EXPECTATIONS CONCERNING AVAILABILITY OF EXTERNAL FINANCING, CONFIDENTIAL

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AND ITS ESTIMATE OF THE SIZE OF THE FINANCING GAP. SHE APPEARED TO APPRECIATE OUR ARGUMENT. EMBASSY WILL REPORT MINISTER'S RESPONSE TO THIS SUGGESTION AS SOON AS AVAILABLE.

3. TURKISH IDEAS ABOUT WHAT SHOULD RESULT FROM INFORMAL MEETING ARE VAGUE. MRS OYMEN TALKED ABOUT IT PROVIDING "PRELIMINARY THINKING ABOUT WHAT MIGHT BE DONE FOR TURKEY." COUNSELOR STRESSED IMPORTANCE OF GOT PROVIDING CONSORTIUM MEMBERS WITH INDICATION OF PURPOSE IT SEES FOR INFORMAL MEETING.

4. WITH REGARD TO DEVELOPMENT OF CONSORTIUM OYMEN SAID THAT FINANCE MINISTER HAD BEEN PERSUADED DURING TALKS IN WASHINGTON THAT THE CONSORTIUM SHOULD BE ENLARGED AND MADE MORE FLEXIBLE BY INCLUDING KUWAIT, SAUDI ARABIA AND OTHER ARAB COUNTRIES AND THE BANKS. TURKS UNDERSTAND, OYMEN SAID, THAT AID MOTIVES AND POSSIBILITIES HAVE CHANGED SINCE THE TIME WHEN THE CONSORTIUM WAS ESTABLISHED. TODAY EXCESS WEALTH, AND THEREFORE THE POSSIBILITY OF PROVIDING WHAT SHE CALLED "CASH CREDITS" (IE, BALANCE-OF-PAYMENTS FINANCING),

LIES WITH THE OIL COUNTRIES AND THE BANKS RATHER THAN WITH NON-OIL GOVERNMENTS. TURKS ARE NOT YET VERY CLEAR HOW CONSORTIUM SHOULD BE RENEWED TO TAKE ACCOUNT OF THIS DEVELOPMENT. THEY BELIEVE THAT ARAB GOVERNMENTS SHOULD BE BROUGHT INTO THE CONSORTIUM BUT THEY DO NOT KNOW HOW.

5. OYMEN BELIEVED, HOWEVER, THAT GOVERNMENTS--"ALL OF THEM"--ARE STILL ABLE TO EXTEND PROJECT CREDITS. SHE THOUGHT THAT GOVERNMENTS SHOULD BE PREPARED TO MAKE PLEDGES AT THE FORMAL MEETING OF THE CONSORTIUM. GOT APPARENTLY DOES NOT SEE SUCH A PLEDGING SESSION AS A ONE-TIME THING. SHE RECALLED THAT IN THE PAST THE CONSORTIUM HAD CONVENED A PLEDGING SESSION EACH YEAR
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AFTER TURKEY'S ANNUAL PROGRAM WAS ANNOUNCED.

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6. TURKS ARE, HOWEVER, FIRM IN THEIR BELIEF THAT
RESCHEDULING OF COMMERICAL ARREARS IS FIRST TASK THAT
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CONSORTIUM SHOULD UNDERTAKE. GOT, OYMEN SAID, DOES
NOT WANT TO GO TO PARIS CLUB. CONSORTIUM SUPERVISED
DEBT RESCHEDULING FOR TURKEY IN 1965, SHE RECALLED,
AND TURKEY BELIEVES THAT CONSORTIUM SHOULD BE INVOLVED
IN RESCHEDULING SINCE IT IS THE ONLY FORUM WHERE TURKEY'S
CREDITORS COME TOGETHER.

7. OYMEN TOOK NOTE OF ALL OTHER US VIEWS; IE, THE
IMPORTANCE OF THE GOT INFORMING CONSORTIUM MEMBERS OF
THE FUTURE ROLE IT SEES FOR THE CONSORTIUM; THE POSSI-
BLE ROLE OF THE CONSORTIUM AS A MONITORING BODY AND
FORUM FOR EXCHANGE OF IDEAS, RATHER THAN AS AN
INSTRUMENT FOR COORDINATING DEVELOPMENT ASSISTANCE;
AS WELL AS OUR THOUGHTS CONCERNING THE PROCEDURAL
AND INFORMATIONAL PURPOSES OF AN INFORMAL MEETING.

8. OUR INFORMAL SOUNDINGS WITH DIPLOMATIC COLLEAGUES
IN ANKARA SHOW THEM TO BE INTERESTED IN THE POSSI-
BILITY OF RENEWAL OF THE CONSORTIUM BUT UNINFORMED ABOUT
HOW THEIR GOVERNMENTS MIGHT PARTICIPATE. MINISTER
MATSUOKA OF JAPANESE EMBASSY SAID THAT HIS GOVERNMENT
HAD OFFERED TURKS \$70 MILLION LONG-TERM CONCESSIONARY
CREDIT IN SEPTEMBER 1977. OFFER BECAME STALLED WHEN
TURKS PRESENTED PROJECT PROPOSALS FOR USE OF THESE FUNDS
THAT EXCEEDED \$70 MILLION IN COST. MINISTER SAID THAT
ALTHOUGH JAPAN IS NOT PRESENTLY A MEMBER OF CONSORTIUM
FOR TURKEY, HE THOUGHT THAT HIS GOVERNMENT WOULD WANT
TO BE INCLUDED IN ANY INTERNATIONAL EFFORT TO ASSIST
TURKEY.

9. FEDERAL GERMAN GOVERNMENT IS PROPOSING INCREASING
ITS DEVELOPMENT ASSISTANCE IN TURKEY IN FY 1978 BY DM 50 MIL-

LION TO A TOTAL OF DM 150 MILLION. INCREASE HAS NOT YET
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BEEN APPROVED BY BUNDESTAG. IN A PRESS INTERVIEW IN
ANKARA IN FEBRUARY, DEPUTY FOREIGN MINISTER
WISCHENEWSKI SAID THAT AID FOR TURKEY IN FY 1978
HAD BEEN FIXED AT \$178 MILLION IN GHE GERMAN
BUDGET AND THAT THERE WAS NO POSSIBILITY OF INCREASING
THIS AMOUNT THIS FISCAL YEAR. HE DID NOT, HOWEVER,
CLOSE THE DOOR TO ADDITIONAL AID TO TURKEY. AFTER CON-
TACTS DEVELOP BETWEEN THE NEW ECEVIT GOVERNMENT AND THE
FRG, HE SAID, CERTAIN WAYS OF HELPING MAY BE FOUND.
HE AGREED IT WAS POSSIBLE THAT THE FRG MIGHT ASSIST IN
SECURING SUPPORT FOR TURKEY IN INTERNATIONAL FINANCING
ORGANIZATIONS SUCH AS THE IMF TO HELP TURKEY OVERCOME
ITS FOREIGN-CURRENCY BOTTLENECK. BUT HE DID NOT EVTER-
TAIN THE POSSIBILITY THAT HERMES GUARANTEES OF
GERMAN EXPORTS TO TURKEY COULD BE REACTIVATED UNTIL
"CERTAIN CONDITIONS" ARE COMPLIED WITH. ASKED BY THE
INTERVIEWER WHETHER THE EXISTENCE OF A "SOCIAL-
DEMOCRATIC" GOVERNMENT IN TURKEY WOULD LEAD TO A
SPECIAL INTEREST ON THE PART OF GERMANY IN TURKEY,
AS HAPPENED WHEN A SOCIAL-DEMOCRATIC GOVERNMENT TOOK
OFFICE IN PORTUGAL, WISCHNEWSKI DID NOT RULE OUT THAT
POSSIBILITY, HE REMARKED THAT ECEVIT, NOW
PRIME MINISTER, HAD VISITED GERMANY SEVERAL TIMES
AND MET WITH AD LEADERS THERE AND ESTABLISHED CLOSE
RELATIONS WITH THEM. "THERE IS PROXIMITY IN OUR POLITI-
CAL AND SOCIAL VIEWS AND OUR BELIEFS. FRIENDLY AND CLOSE
RELATIONS BETWEEN PARTIES MAY NAURALLY MANIFEST THEIR
EFFECTS IN OTHER FIELDS."

10. COMMENT: TURKS OBVIOUSLY CLING TO HOPE OF OBTAIN-
ING INCREASED DEVELOPMENT ASSISTANCE FROM NON-OIL
CONSORTIUM GOVERNMENTS, TO JUDGE FROM OYMEN'S DIS-
TINCTION BETWEEN CASH AND PROJECT CREDITS AND HER
REMARK THAT ALL CONSORTIUM MEMBER GOVERNMENTS CAN PRO-
VIDE THE LATTER. EMBASSY UNDERSTANDS THAT EXIMBANK
CREDITS ARE ONLY REALISTIC SOURCE OF SUCH
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